

Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 SCEM-02 SCI-06 CEQ-02 EPA-04

INT-08 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01

USIA-12 PRS-01 SS-15 NSC-10 OEP-01 AID-20 CIEP-02

TRSE-00 STR-08 OMB-01 CEA-02 H-02 L-03 TAR-02 XMB-07

COME-00 RSR-01 /146 W

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P 042045 Z MAY 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 9668

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E. O. 11652 N/ A

TAGS: ENRG VE

SUBJECT: WESTERN HEMISPHERIC PREFERENCES ON HEATING OIL

REF: CARACAS 3702

SUMMARY: OFFICIAL REACTION FROM TECHNICAL LEVEL OF HYDROCARBONS MINISTRY TO SUSPENSION OF WESTERN HEMISPHERIC PREFERENCES ON HEATING OIL IS Milder THAN EXPECTED. THERE REMAINS, HOWEVER, POSSIBILITY OF SIGNIFICANT ADVERSE REACTION AT POLITICAL LEVEL DEPENDING ON HOW GOVERNMENT AND OTHER POLITICIANS DECIDE TO PLAY ISSUE. END SUMMARY.

1. PETROLEUM ATTACHE INFORMED TWO KEY OFFICIALS OF MINISTRY OF MINES AND HYDROCARBONS TODAY OF WAIVER OF WESTERN HEMISPHERE SOURCE REQUIREMENT ON 50,000 B/ D NO. 2 HEATING OIL QUOTA FOR EAST COAST TERMINAL OPERATORS. OFFICIALS CONTACTED WERE LUIS PLAZ, DIRECTOR OF HYDROCARBONS, AND RAMSEY MICHELENA, CHIEF, OFFICE OF PETROLEUM ECONOMICS. PETROLEUM ATTACHE
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STRESSED THAT EMBASSY HAD ONLY YESTERDAY LEARNED OF THIS ACTION EVEN THOUGH IT HAD BEEN TAKEN SEVERAL DAYS EARLIER .

2 . NEITHER PLAZ NOR MICHELENA WAS SURPRISED, HAVING HEARD OF THIS BY TELEPHONE LAST NIGHT FROM ROSSI, VENEZUELAN EMBASSY, WASHINGTON. NEITHER SEEMED PARTICULARLY CONCERNED ABOUT PRACTICAL EFFECTS ON VENEZUELAN SALES OF HEATING OIL, SINCE PRODUCT IS NOW IN SUCH SHORT SUPPLY THAT THEY EXPECT TO BE ABLE TO SELL ALL THEY CAN PRODUCE. MICHELENA, WHOSE OFFICE FOLLOWS INTERNATIONAL OIL MARKETS CLOSELY, PREDICTED THAT TERMINAL OPERATORS WILL HAVE TO BUY FROM VENEZUELA EVEN WITHOUT THE HEMISPHERIC REQUIREMENT SINCE THEY WON' T FIND ANY AVAILABLE ELSEWHERE. ON THE OTHER HAND, BOTH INDICATED THAT THE PREFERENCES HAD POLITICAL VALUE FOR VENEZUELA AND REGRETTED THEIR LOSS.

3. REGARDING AVAILABILITY OF HEATING OIL FROM VENEZUELA, PLAZ SAID MINISTRY HAD RECENTLY TAKEN A SURVEY OF OIL COMPANIES AND HAD BEEN ASSURED BY THEM THAT THE COMPANIES WILL HAVE AVAILABLE FOR EXPORT SOMETHING OVER 50,000 B/ A OF N O. 2 HEATING OIL FROM VENEZUELA AND ANOTHER 17,000 B/ D OF HEATING OIL (MADE FROM VENEZUELAN CRUDE) FROM ARUBA AND CURACAO.

4. MICHELENA FEARS THAT THERE WILL BE CONSIDERABLE ADVERSE REACTION IN VENEZUELA WHEN SUSPENSION OF HEMISPHERIC PREFERENCES FOR HEATING OIL REACHES PRESS, WHICH INEVITABLY MUST HAPPEN WITHIN NEXT FEW DAYS. MICHELENA FEARS THAT REAACTION TO THIS MEASURE, COUPLED WITH VENEZUELAN DISAPPOINTMENT AT PRESIDENT' S ENERGY MESSAGE WHICH SEEMED, AT LEAST FOR PRESENT, TO CLOSE DOOR FOR WESTERN HEMISPHERE PREFERENCES, COULD LEAD TO CONGRESSIONAL REVIEW OF GOVERNMENT' S OIL POLICY AND TO SUGGESTIONS THAT IT SHOULD TAKE NEW DIRECTION.

5. COMMENT: IT SEEMS EVIDENT
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*** Current Classification *** LIMITED OFFICIAL USE

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